EDITORIAL

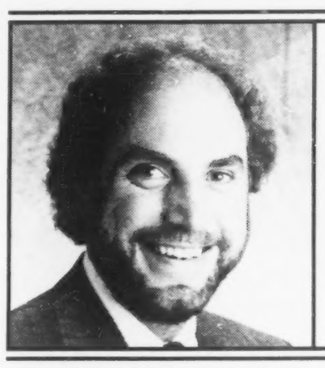
Sam's Voice Will Still Echo at Wal-Mart

The echo of Sam Walton's voice leading Wal-Mart associates in his famous cheer will always be heard and cherished throughout the aisles of every Wal-Mart store. "Give me a W," he would yell with that Arkansas twang, usually holding (or waving) a yellow note pad in one hand. "I can't hear ya," he would yell back at his associates, who all admired him for his sincerity, his interest, his knowledge.

This is what Sam enjoyed doing more than anything else: visiting stores, opening stores, leading the Wal-Mart cheer, and talking to his associates.

Whether it was flying from store to store or taking center stage at the Saturday Morning meetings, he reveled in the camaraderie. He loved to tell a story, and he loved to listen to one. Yet he personally shied away from the spotlight, unless it was shining on Wal-Mart.

He would often go to an extreme to make a point as he did Dec. 2, 1989, during a Saturday Morning Meeting at which *DSN* presented him with the Retailer of the Decade Award. Ironically, the story he told that morning—to a laughing, but intense group of executives—was the beginning of his bout with multiple myeloma, which eventually took his life April 5.



TONY LISANTI
Editor

The meeting began with Sam being carried out moaning and groaning and being dropped at the center of the stage. Sam was moaning about sales during the last week in November and the fact that they weren't too good—or good enough according to Wal-Mart's double digit standards. He challenged his associates, asking for a cure, for a better December and a record holiday season.

Sam was also moaning about an injury during a recent quail hunting trip as a result of being locked out of the trailer. He told his associates, "I had to climb through this small window, and my whistle got caught in my chest." It was the pain from this incident that led him to visit his doctor in Houston for a series of tests which resulted in the diagnosis of bone cancer.

From that point on, Sam continued to do what he enjoyed most—visit stores, talk to associates, and take care of business in Bentonville. But he also quietly focused on the future; the future of Wal-Mart, that is.

At the shareholders meeting in June 1990, he dramatically announced a 2 for 1 stock split and predicted that Wal-Mart sales would soar to $100 billion by the end of the decade. Meanwhile, behind the scenes, the stage was being set quietly for the transition to the day when Sam would no longer be active in day-to-day operations.

And that's what Wal-Mart faces. It will never be Wal-Mart without Sam, because Sam will always be there. His spirit, his philosophy, his style will never die. It was never affected by his cancer, nor was his company.

Sam made every employee a part of the company. Sam never lost touch with his employees or his customers. Sam made his actions speak louder than words. Sam never let the entrepreneurial spirit die. Nor will any Wal-Mart associate.

David Glass, the quiet, inspirational leader, and Don Soderquist, the eloquent speaker, student of empowerment, certainly never will. They will continue to lead and motivate a deep and talented roster of vice presidents to achieve Sam's goal.

Furthermore, the influence of the Walton family will always be present. Sam's wife, Helen, is an astute, sensitive and caring woman who will continue to deliver Sam's message. And son Rob, who among Sam's children has the most active role in the company, will, according to one executive, continue to grow and emulate Sam's style within his own personality and character.

Sam will be greatly missed, but his absence will not affect Wal-Mart.

Sam never wanted anybody to make a big fuss. When he learned of his cancer in early 1990, he immediately shared the news with all Wal-Mart associates.

That's the way he was. That's the way he will be remembered. That's the way he wanted it.

But remember to listen for the echo. "Give me a W." Listen.

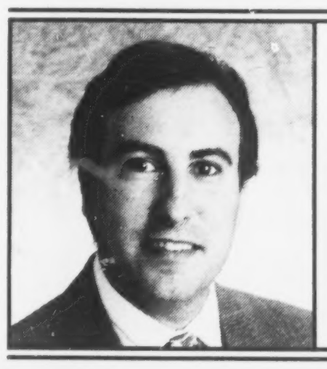
God bless you, Mr. Sam.

BUYERS & SELLERS

'Mr. Sam' Lived Every Minute to the Fullest

The list of Sam Walton's business and professional achievements could fill an encyclopedia. But, the real measure of the man Wal-Mart associates referred to as "Mr. Sam" is found in his spirit and his enthusiasm for life.

It's been said that the heart of creativity is not genius or intellect, but courage. During a retail career that spanned more than a half century, Walton showed the courage to veer away from the tried and true, and to lead when the solution is uncertain and the answers unknown.



DON LONGO
Exec Editor

The following quote from Ray Bradbury captures better than I can the love that Sam Walton shared with those around him:

"Imagine that you have been dead for a year, 10 years, one hundred years, a thousand years . . .

The grave and night have taken and kept you in that silence and dark which says nothing and so reveals absolutely zero . . .

In the middle of this darkness and being alone . . . let us imagine that God comes to your still soul and lonely body and says:

'I will give you one minute of life. I will restore you to your body and senses for 60 seconds. Out of all the minutes in your life, choose one. I will put you in that minute and you will live again, after a hundred, a thousand years of darkness. Which is it? Think. Speak. Which minute do you choose?'

And your answer is: 'Any minute. Any minute at all. Give me any minute in all my life. When I lived I didn't know that every minute was special, precious, a gift, a miracle, an incredible thing, an impossible work, an amazing dream. But now, like Ebenezer Scrooge on Christmas Morn, with snow in the air and the promise of rebirth given, I know what I should have known in my dumb shambles: that all is a lark, and it is a beauty beyond tears, and also a terror.

'But I dance about. I become a child. I am the boy who runs for the great white bird in the window, and I am the man that sends the boy running for that bird, and I am the life that blows in the snowing wind along the street, and the bells that sound and say live, love, for too soon will your name, which is shaped in snow, melt, or your soul, which is inscribed like a breath of vapor on a cold glass pane, fade.

'Run, run, lad, run, down the middle of Christmas at the center of life!'"

Until the end, Sam Walton ran for the great white bird in the window. Mr. Sam knew what it was like to run down the middle of Christmas at the center of life.

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BEAUTY CARE

MERCHANDISING

H&BC Report is Not Skin Deep

By Jill Lettich

Picture a retailer's worst nightmare: A disloyal customer not concerned with brand names; not particular about where or how often she shops and only mildly interested in value pricing.

This troublesome group has been termed "Low Involvements" by MPSI/Retail Systems, a Chicago-based marketing and consulting firm. But, in a recent research report on the H&BC market, the company reported that even this rather lazy segment of the population could be utilized to a retailers' advantage.

The research report, "The Rhyme and Reason of HBC Consumers," outlines the retailing opportunities for deep discount drug stores, mass merchandisers and other retail outlets selling H&BC. In addition, it reviews consumer behavior in H&BC purchasing.

Conventional drug stores remain the most often mentioned outlet for purchases, but the report confirms that mass merchandisers have become a growing influence in the marketplace.

"One thing that struck me about this report is that we seem to have come full circle in retailing," said Stephen Kotvis, director of marketing, MPSI/Retail Systems. "We started with a general store; then the industry became very specific: you went to one store for prescriptions and another for personal care products. Today, consumers can go to any store for virtually any need. The choice is not driven by product but by intangibles—price, location, cross-shopping opportunities. The retailers that best capitalize on these intangibles are the ones that will succeed."

The important intangibles vary according to different cluster groups, according to the survey.

Consumer Group	% of All Households	Consumer Mix at Mass Merchants	Consumer Mix at Deep Discount Drug Store	Consumer Mix at Conventional Drug Store
Bulk Heads	23%	28%	26%	21%
Middle Roads	20	27	19	20
Captive Immobiles	18	20	19	20
Low Involvements	15	12	11	10
Selectives	13	10	14	16
Active Elders	11	4	11	12

Source: MPSI/Retail Systems

***Phar-Mor, Philadelphia**—Deep discount drug stores and full-line discounters attract H&BC customers by offering product variety.* (DSN photo)

Overall, the report found that:

- Consumers typically shop for H&BC products six to 19 times a year with OTC and personal care purchases most frequent.
- Most H&BC consumers typically travel two to four miles to shop.
- The average annual H&BC expenditure is $818 per household.
- Most consumers (72%) "cross-shop" other non-H&BC products, with groceries, snacks and beverages as the most frequent choices.

There are specific motivations for these behaviors, according to the study. Low prices and a store's closeness to home are the most important reasons for selecting particular stores.

Quality brand name products and service play a more important role when consumers shop for prescription drugs and cosmetics. Store loyalty is critical to prescription drug consumers; they report long and loyal relationships with their pharmacies.

Opportunities for H&BC are also outlet specific. Observations by the MPSI/Retail Systems study included information on the strengths of each outlet. Different retailers serve different consumer needs. But, the company concluded that some changes were needed to best capture the right customer base.

Deep discount drug stores and full-line discount stores have similar "share of mind" among consumers, according to the report. The most obvious advantage of the mass merchant is the cross-shopping opportunity for consumers. According to the research, 25% of consumers who last shopped for H&BC at a mass merchant also reported purchasing a sporting goods product. MPSI went on to note that "this unlikely evidence indicates there may be some yet-to-be imagined opportunities to cross-merchandise products to H&BC customers."

Discounters are usually more conveniently located than their deep discount drug counterparts. These stores are on average, one mile closer to consumers' home than deep discount drug stores.

The report also noted that consumers who primarily shop for prescription drugs at mass merchants generally spend the most on this category per visit and annually.

Deep discount drug stores, on the other hand, are designed to compete as a no-frills, low price, broad selection retail concept and continue to compete best on these features.

Among the important "intangibles" in this outlet is the fact that deep discount drug stores are, or at least, should be, more accessible. Major highways and having other retailers nearby serve as more incentive for shoppers to travel to these stores. Discount drug stores are also known for their competitive pricing. The report suggests that every day low prices are more important than sales or specials in this outlet.

An opportunity exists in this outlet to expand pharmacy operations. The survey found that the same customers that frequently shop this outlet, also report going to a conventional drug store for prescriptions.

To their credit, deep discount drug stores are perceived as offering wide product variety; and as offering numerous cross-shopping opportunities. About 83% of the consumers who said they shopped this outlet said they also bought snacks, books, film, cards and paper goods.

The report suggests that because of the distance required to travel to many deep discount stores, these stores may need to look into special event promotions. In addition, this tier may be able to capture older, less adventurous shoppers by providing certain services: deliveries, transit to senior living facilities and wheelchair and shopping assistance.

Specifically, the report outlined six different customer clusters for H&BC products.

- The largest group, 23% of households, are termed the "Bulk Heads." They have modest educational levels (virtually no college graduates) and have a median in-

(Continued on page 31)

Cosmetics: How Far Will Customers Go?

Nationwide DSN Report

Cosmetics create special problems and opportunities for the retailer. It is the product category most fragmented and the one most affected by income and age demographics.

In "The Rhyme and Reason of HBC Consumers," MPSI/Retail Systems found that 27% of all cosmetic purchases are made at conventional drug stores; and another 23% are made at department stores. This represented primarily higher income consumers who place brand names high on their list of preferred characteristics.

Deep discount drug stores (14% of purchases) and mass merchandisers (12%) fall into a respectable third and fourth place, followed by supermarkets (9%).

The same brand-conscious consumer will travel

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BEAUTY CARE MERCHANDISING

H&BC Report: Consumers Are Not 'Skin Deep'

(Continued from page 28)
come of $34,715. Half of those in this group are aged 30-44 and have at least three persons per household.

The "Bulk Heads" spend the most on H&BC, $865 annually, and travel the most often for H&BC products. They are especially attracted to the value and choices in deep discount drug stores (19% report shopping there) and mass merchandisers (20%). They are also the group most likely to shop in a wholesale club atmosphere.

The report found that in the this group was least of all groups to be concerned with brand names in cosmetics. They are willing to travel to save money for H&BC and are the most loyal, with 26% reporting they only shop one store. This group also shops most frequently, about 20 times per year compared to an overall average of 15 trips.

The report's advice to retailers servicing this group is to recognize the time and price constraints of this consumer and provide well-stocked shelves and an easy checkout.

- "Middle Roads" (20% of households) also shop mass merchandisers (24%), but are just as likely to frequent conventional drug stores. These are creatures of habit that spend about $860 a year. The income average of this group is $41,250 with somewhat higher educational levels. This is an older group with an average age of 60. The report found that this group travels the farthest for cosmetics, an average of 4.5 miles. The cluster will also travel for price savings.

Because their choice of retailers are more a result of habit, the report advises retailers that attracting this customer base requires aggressive promotions to point out the benefits of one store over another. This group generally does not shop more than one or two stores, so if a store gets them, it is likely they will keep them.

- "Captive Immobiles," 18% of households, spend below average in this category, $783. They name conventional drug stores as the most frequently shopped outlet, but again look to mass merchandisers and discount drug stores for pricing. Half of those in this category live alone; they are also the oldest of the groups, averaging 69 years of age. Understandably then, income is the lowest for this group, a median of $15,715.

For this group, shopping is a matter of need and convenience. They spend most of their H&BC dollars on OTC and prescription drugs and travel the shortest distance to their store of choice for these items.

Mass merchandisers have an opportunity to service this group, according to the survey, by offering price savings and making the shopping experience as accessible as possible.

- "Selectives," 15% of households, epitomize the fragmentation in the industry; they continue to shop different stores for different needs, spending $789 on average. Income levels are highest in this group, a median of $57,085 at an average age of 37 years. Fully 80% of this group are college graduates. Households average three to four people, generally with children under 18 still living at home.

This group travels the furthest for the items they want. They frequent department stores for brand name cosmetics, but will make short convenience trips for personal care products and are willing to pay more in this category for that convenience. This group is the least likely to cross-shop.

Deep discount drug stores and mass merchandisers that are conveniently located have an opportunity to service this group with prescription drugs and personal care products.

- As previously mentioned, the "Low Involvements" are not easily lured to any particular type of store, but do appreciate cross-shopping opportunities. They account for 13% of households, and spend the least amount on H&BC, $751, annually.

About 38% of this group is male, with incomes between $18,000 and $25,000. This is the youngest group, averaging 30 years of age.

Convenience is most important to this customer, who appreciates closeness to home and cross-shopping opportunities. Mass merchandisers and deep discount drug stores have a chance to capture this group's H&BC dollars by stressing the availability of other product categories in these stores.

- Finally, "Active Elders" rely on the service provided by most conventional drug stores. They account for about 11% of households and spend $777 a year. Also tending to be older, age 62, their median income is $33,890. According to the survey, this group is an older version of the "Selectives," who also seek stores out for particular needs. They are the least likely group to be motivated by price and closeness to home for personal care products and are drawn to brand name cosmetics in department stores.

As with their "selectives" counterparts, deep discount drug stores and mass merchandisers can attract this customer with convenient locations and broad product selections.

"It was surprising to find the wide range of consumers. There is a great diversity of behaviors and attitudes that require retailers to be much more aware of the customers out there," Kotvis concluded.

The survey is a result of over 1,000 telephone interviews conducted in the Tampa/St. Petersburg metro area. The area was chosen because its demographics (age, income and persons per household) most closely resembled the national average. In addition, the area has high concentrations of all levels of retail and share of market for these matched national average as well.

Distribution of H&BC Dollars by Cluster Group

Customer Group	Total	$ Spent Cosmetics	$ Spent Personal Care	$ Spent Prescription	$ Spent OTC Medication
Bulk Heads	$865	$186	$334	$180	$165
Middle Roads	$860	$178	188	383	111
Captive Immobiles	$783	103	142	421	117
Selectives	$789	172	232	232	153
Low Involvements	$751	192	290	145	124
Active Elders	$777	114	122	455	86

Source: MSPI/Retail Systems

***While drug stores** are most often mentioned for H&BC purchases, retailers, like Kmart, have become a growing influence.* (DSN photo)

Cosmetics: How Far Will Consumers Go?

(Continued from page 28)
over six miles on average to their preferred department store for cosmetics, two miles above the H&BC average.

Mass merchandisers, though they trailed discount drug stores overall, also rated an above average travel distance for cosmetics, just over four miles.

The important difference between the retailers, however, is that while cross-shopping for other H&BC products is standard with mass merchandisers and deep discount drug stores, it is unlikely with department stores, which have little or no H&BC selection in primary categories such as OTC drugs and prescriptions.

Cosmetics are shopped for less frequently than other products. The survey found consumers make an average 7.7 trips a year for cosmetics, compared to 15.2 trips for personal care items, 10.4 trips for OTC medications and 8.6 trips for prescriptions.

In terms of expenditures, cosmetics account for 19% of H&BC household purchases. About $161 is spent annually per household.

Other findings in the survey indicated that 38% of shoppers said that they select a cosmetics retailer based on low prices. There were other decision factors named as well: 28% said they chose a cosmetics retailer for its closeness to home; 25% named brand names; and 12% named the variety of products found in their outlet of choice.

A full 23% of those interviewed said that they only shop one store for cosmetics.

The last figure may be a bit deceiving. Despite the willingness to travel far and wide for cosmetics, these consumers also shop around. The 23% that shop only one store is below the 35% that are loyal to the store where they buy OTC medication; and far below the 68% that are loyal to the one store where they have prescriptions filled.

Among the consumer groups identified by MPSI/Retail Systems, "Bulk Heads" are relatively store loyal in shopping for cosmetics, but also consider price a critical decision factor in the category. This group spends 15% more on cosmetics than average.

"Active Elders" are the most loyal, with 73% in this group reporting they shop for cosmetics in only one store. This group is the least motivated by price.

"Middle Roads" are the least loyal when it comes to cosmetics and look for quality of personnel, sales and specials in determining where they buy cosmetics.

Typical of the "Selectives" group is a desire for quality brands and variety of choice in cosmetics purchases.

"Low involvements" are concerned with convenience and shop closest to home for cosmetics.

"Captive Immobiles" spend the least on cosmetics and make few shopping trips for cosmetics purchases.

Wall Street Unruffled as Glass Carries On at Wal-Mart

(Continued from page 1)
customers, our vendor partners, our associate partners and our shareholders in the future."

"Institutional investors have no worries whatsoever over Walton's passing," said Neil Nordby, president of Nordby International, Boulder, Colo. "The stock went up $1.25 the day after Walton died, indicating they were holding the stock. If they were worried, the stock would have fallen $5 in a minute."

Wal-Mart is perhaps one of the most popular stocks in America among institutional investors, Nordby said.

In the week following Walton's death, absolutely no signs appeared that institutions were unloading blocks of Wal-Mart stock, confirmed Terrence McEvoy, vp of research for Janney Montgomery Scott in New York. "Walton had early on planned for a transition to really competent management," McEvoy said. "He knew he wouldn't be there forever."

In a profile on Glass that *Business Week* published three weeks before Walton died, Glass said, "You can't replace a Sam Walton, but he has prepared the company to run well whether he's there or not."

Even though Glass wasn't appointed chairman, "there is no reason for him to leave, unless to retire," McEvoy said.

"Wal-Mart will just continue to be the juggernaut it is," McEvoy predicted.

The market's neutral reaction constitutes "a vote of confidence in management's ability to continue running the company without Sam," said Patrick McCormack, vp and retail analyst at Dean Witter.

If Wal-Mart stock had been sold off following Walton's death, "I would have been an aggressive buyer," said Bernard Sosnick, retail analyst for Oppenheimer & Co. in New York.

Wall Street knew for a year that Walton was seriously ill, Sosnick said. "The company did a good job of preparing the investment community" for his death, he added.

The photo of Sam Walton making his last public appearance March 17 "was worth 10,000 words," said Dorothy Lakner, a fellow analyst at Oppenheimer.

President Bush flew to Bentonville to confer on Walton the nation's highest civilian honor, the Medal of Freedom.

Rising from his wheelchair to accept the honor, Walton said, "We have to just keep working together. We've just begun."

You can never replace a charismatic company founder, Sosnick said, "but Walton set forth a course that others took up." He handed over responsibility for the day-to-day operation of the company in 1988, when he promoted Glass, Sosnick said.

"The solid management Walton put in place continues to run the business," he emphasized.

"Walton's greatest legacy was his credo of empowerment, pushing down decision making to the lowest level possible," Sosnick said.

During his four years as ceo, Glass has been responsible for overseeing the push into wholesale clubs and groceries through first hypermarkets and now supercenters, as well as the company's first foreign venture, a partnership with Cifra to operate wholesale clubs in Mexico.

Sales zoomed during the Glass years to $44 billion from $16 billion, while profits grew at a 26% annual rate to $1.6 billion.

The market value of Wal-Mart stock soared to $62 billion from $16.8 billion, almost a four-fold increase.

Glass joined Wal-Mart as chief financial officer in 1976 following his experience operating a drug store chain and owning a Holiday Inn motel. In 1984, Walton tapped him as his heir apparent by naming him as president and chief operating officer.

In doing so, he moved Jack Shewmaker from those positions to Glass' previous post, cfo, a sign that Glass had an inside path to the top. Shewmaker retired when Glass became ceo, as well as vice chairman, four years later.

Born in Mountain View, Mo., Glass shared small town roots with Walton. His father ran a feed mill, while his mother was a supervisor in a uniform factory.

When promoting Glass, Walton also promoted other key members of today's management team to positions of greater responsibility, additional moves intended to avoid a power struggle for succession if he were to step down as chairman.

Walton Builds Wal-Mart Into Behemoth

(Continued from page 117)
"A lot of believers are here today," he told the fired up audience that included over 2,000 employees that came from across the country at the company's expense. After the meeting, he and Helen held what became their last barbeque for employees on the lawn of their 5,500-sq.-ft. home in Bentonville, built in 1959.

Walton grew the company slowly and deliberately during the '60s, focusing on opening Wal-Marts in surrounding states and phasing out the Ben Franklin stores. By 1969, when Walton incorporated the company as Wal-Mart Stores Inc., there were only 18 Wal-Marts and 14 Ben Franklin franchise stores.

As the '70s dawned, Wal-Mart was still an unheralded chain, a mix of discount and variety stores doing $44.3 million in sales. But the Ben Franklins were phased out and in the next two decades Wal-Mart underwent its greatest growth, speading out from its lower Mississippi region base.

While Walton remained Wal-Mart's chairman until his death, he briefly gave up the chief executive title in 1974, but two years later reclaimed it. He relinquished the president and chief executive post in 1988 when he formerly stepped out of full-time corporate management and turned over day-to-day control to Glass and Soderquist.

Previously, in 1983, Wal-Mart entered a new era when it launched three Sam's Wholesale Clubs, its first major new venture since the old variety store chain opened its first discount store 21 years earlier. Sam's Club since then has grown into the leading wholesale club, a $9.4 billion, 208-club operation (with two joint ventures in Mexico).

Three years later Wal-Mart ventured into another merchandising arena, combo retailing of food and general merchandise. The initial probe was Hypermart USA, four of which were opened. The concept's fulfillment, however, is through the Wal-Mart SuperCenters, which debuted in 1988 in Washingtonville, Mo., and grew to six by the end of 1991. A dozen are on the drawing boards for this year as Wal-Mart fine tunes this operation and prepares it to become a key growth vehicle for the '90s.

The triad of stores made Wal-Mart the nation's biggest retailer in 1991, passing Sears to become a $44 billion business with more than 1,700 discount stores and Sam's Club warehouses nationwide.

Walton summed up the vision that was responsible for his accomplishments when he accepted an honorary Doctor of Laws degree in 1984 from his alma mater, the University of Missouri-Columbia. Wal-Mart's success "is a simple approach, in my opinion, that will help all of you and our great country to sustain our free enterprise, capitalistic system," said Walton. "We've got to involve our employees, we've got to communicate with our employees, we've got to make partners out of them day by day and do it in a meaningful way. And it works."

Walton has received many honors. As early as 1960 he was named "Arkansas' Success Story of the Year" by the University of Arkansas. In 1978 *DSN* named him Discounter of the Year and he became the second person inducted into the Discounting Hall of Fame, while *Retail Week* named him Man of the Year. In 1984 he received the Horatio Alger Award and in 1988 he received the National Retail Merchants Association's Gold Award, the first time the award went to a non-NRMA member. The next year *Financial World* magazine named him "Chief Executive of the Decade" and in 1991 he was inducted into the National Sales Hall of Fame. The Museum of Science and Industry plans to induct him into its National Business Hall of Fame.

Bentonville in 1983 held a "Sam and Helen Walton Appreciation Day" in honor of his civic activities, renaming a local stretch of U.S. Highway 71 "Walton Boulevard." He was active in the First Presbyterian Church of Bentonville and was a member and former chairman of the Arkansas Business Council.

The family held a private funeral Tuesday, April 7, at 10 a.m. in the First Presbyterian Church, followed by a memorial service at 3 p.m. for associates at Wal-Mart's headquarters and then a public service at 7 p.m. in the Bentonville High School Stadium. Glass said that Walton had "scripted" all three services.

Memorial gifts can be made to the Arkansas Cancer Research Center of First Presbyterian Church Endowment Fund for Missions. Account #1229 has been established in the Bank of Bentonville, P.O. Box 1229, Bentonville, Ark., 72712.

Cost Cutting Not Enough for Investors

(Continued from page 5)
dising operations in the United States, which accounted for 78.8% of the group's volume, also declined, off 1.3% to $24,757.3 million from $25,093.2 million.

But the cumulative effect of cutting costs last year paid off in a $600 million reduction in expenses and the group's income (net of minority income and equity in unconsolidated companies) jumped 84% to $473.4 million from $257.3 million.

Brennan resumed the top retailing post at Sears in August 1990 and since then the company has cut or plans to eliminate 43,150 jobs, a 13% reduction in its retail work force. This move is expected to save $840 million this year and $940 million in 1993.

Brennan's plan to boost sales—part of his twin pledge to lower costs and increase volume—calls for expanding the retailer's merchandising of name brands, along with more sharply priced specials to draw customers. It's also venturing into new merchandising territory, such as offering Apple computers, the first time that line has become a mass market item.

The growth plan includes opening six new Sears and eight replacement units, 17 new Homelife furniture stores—13 as free-standing units and four within Sears—and about 100 specialty stores from its mix of Western Auto, Eye Care Centers of America, Pinstripes Petites, Business Centers and paint and hardware units.

Sears' proxy statement noted that Brennan was entitled to a bonus last year, but withdrew from Sears' annual incentive bonus plan to "reflect the spirit of the salary freeze that was in effect for salaried employees" in the Mechandise group and corporate staff in 1991. But he was paid $979,847 and also received $391,206 as part of Sears' long-term incentive compensation plan.

The proxy also listed five shareholder proposals—all of which Sears opposes—that will go before the annual meeting May 14 in Atlanta.

The key one calls for the board of directors to determine Sears' value if it were broken up into seperate retailing and financial service companies and that shareholders be allowed to take "whatever action seems appropriate."

Sears contends a study isn't needed as its investment banker, Goldman Sachs, is already looking at Sears make-up and making suggestions to the board. A study, Sears added, would also harm its ability to raise funds, support its stock price and use assets.

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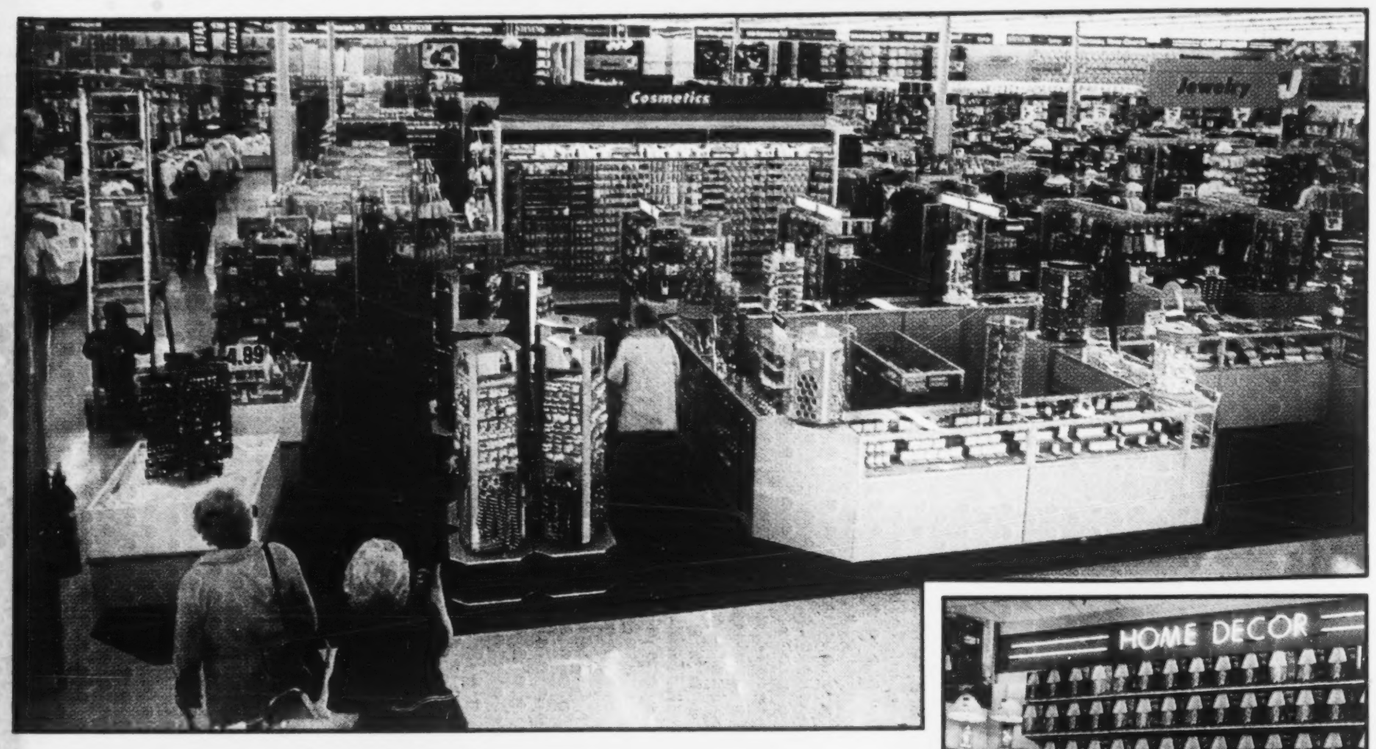

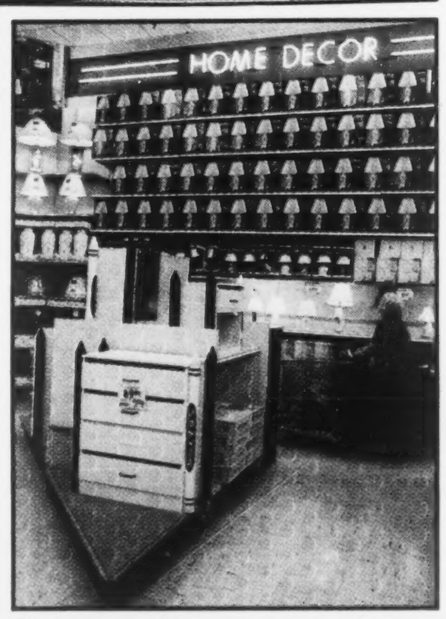

***Jamesway's newest** prototype (top photo), in Claymont, Del., its largest so far, has a new airier feel. Focal areas such as the home decor department (above) make use of previously 'dead' corners.*

Jamesway Revamps Stores, Management To Stave Off Rivals

By Jill Lettich

SECAUCUS, N.J. — Jamesway has capped a year-long restructuring of its top management team by promoting executive vice president Peter Hollis to president and by unveiling a new prototype store in Claymont, Del. The new prototype is one of two newly revamped units in the 122-store discount chain.

The management changes and the remodeling efforts emphasize Jamesway's organizational shift to soft lines, with increased space for apparel, domestics and crafts evident in the new format.

"The Claymont store is really our vision for the future," said Hollis.

Chairman Herb Fisher, who retains his chief executive officer responsibilities, has credited the soft lines area for increased sales in the last three quarters.

Jamesway has suffered from both mounting competition from large retailers such

(Continued on page 87)

McLane DC Feeds Wal-Mart Food Growth

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart's drive to become a major player in the food business, using its McLane Co. subsidiary as its agent, took firm shape with the discounter's plan to build a 704,150-sq.-ft. food distribution center in

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Value City Aim: Absorb Gee Bee

COLUMBUS, Ohio — Value City Department Stores, which Schottenstein Stores Corp. (SSC) took public last June, is absorbing what once was its sister chain, Gee Bee, Johnstown, Pa., and retiring its debt through a stock offering of five million shares.

In a primary offering, Value City intends to issue 3 million new shares, worth about $47.6 million at a recent price of $15.88 per share. Through a secondary offering, Value City will offer 2 million more shares valued at about $31.8 million, for a gross of about $79.4 million, before underwriting fees.

Of the 2 million, about 1.4 million will be new shares, while SSC will sell the balance of 600,000 shares from its 72% stake it retained when it took Value City public last June.

The New York firm of Donaldson, Lufkin & Jenrette is the lead underwriter on the offering.

Value City will use part of the proceeds of both offerings to acquire for $23 million most of the assets of Gee Bee, which SSC purchased out of Chapter 11 in 1990, and pay off the $25 million in Gee Bee bank debt it will assume. It will use $12.5 million of the proceeds to pay down the $30 million remaining of $50 million in SSC debt that Value City assumed upon going public.

In addition, Value City will use $6.7 million to pay costs of converting 13 of 15 Gee Bee stores to the Value City format and $5 million to equip an apparel warehouse it is leasing from SSC, according to the registration statement that Value City filed with the Securities and Exchange Commission.

(Continued on page 88)

PayLess Good Candidate for Spin Off

By Richard Halverson

WILSONVILLE, Ore. — As the most mature—and profitable—of the six Kmart specialty chains, PayLess Drug Stores is the most likely candidate to be spun off.

For the past 18 months, Kmart has been considering the sale of a minority interest in one more of its specialty operations as a way to boost its own stock price and still retain control of its subsidiaries. Despite a roaring bull market, investors are paying a multiple of about 10 to 12 times earnings for Kmart stock, down from 14.2 in 1987. Its price/earnings ratio compares with about 15 for Rite Aid and almost 20 for Walgreens, two comparable drug store chains.

If Kmart were to sell minority interests, in the range of 20% to 40%, in its specialty subsidiaries, PayLess, Builders Square, Pace Membership Club, Waldenbooks, Sports Authority and Office Max, Wall Street presumably would value the total of the separate parts higher than if the company were to remain one.

Kmart stock is trading at a 31% discount to Standard & Poor's 500-Stock Index, calculated Salomon Bros. in a March research report.

To generate interest within the investment community, Kmart has broken out the sales and profits of each subsidiary for the first time in its annual report. In addition, it is

(Continued on page 88)

***PayLess' 2,500-sq.-ft. apparel department**, in about 120 stores, is unusual for a drug chain and shares some features with parent Kmart.*

Independent Discounter Tackles Big Retail Fish

By Richard Halverson

LONGVIEW, Wash. — If you need any proof that Bob's Merchandise is no cookie cutter kind of discounter, check out the moose and elk heads mounted in the sporting goods annex to its single store.

And if you need any proof that a sole proprietor discounter can survive the onslaught of a multibillion dollar chain, listen to the saga of Bob Schlecht, who shot those trophy animals with his now-retired father, also named Bob.

A word first about Bob's and Longview, a blue-collar town dependent on the hard-pressed logging and salmon fishing industries in the nearby Columbia River, as well as recreation. The elk came from just a few miles outside town, the moose from Canada.

Back in March, Bob's was featuring "Elkoholic" T-shirts, $9.99, complete with an elk centered in a bull's eye target, even though hunters had to wait eight more months for elk season to begin. "It's always elk season" for elk merchandise, he said.

In 1947, Bob Schlecht Sr. began selling World War II surplus goods out of a tent. Bob's Merchandise expanded piecemeal without any particular plan until it occupied 60,000-sq.-ft. of selling space and 40,000-sq.-ft. of administration and warehouse space.

On outdoor tables beside the sporting goods annex, customers picked through an array of cheap "junk" under a banner that reads, "This Stuff Is So Cheap Bob Won't Let Us Put It in the Store."

Despite the put-down, Bob's is no hayseed operation, as a walk around the main store indicates. What multibillion dollar chain features Nikes and Levis at 20% off, everyday?

Signs inside and outside the store promote "fashion clothing" at 20% to 60% off.

Following piecemeal expansion, the store rambles every which way over two floors and a couple of levels, so it will never win any prize for efficient layout. An escalator lifts customers to the second floor, but their feet carry them down a flight of stairs that flanks a mural of a snow-capped mountain.

Merchandise displays, however, are spaciously laid out and well-maintained. Bob's excels at keeping its shelves stocked and the premises clean.

Moose and elk heads *(left) greet customers as they enter Bob's Merchandise. Owner Bob Schlecht (below) says he's prepared to tackle the big chain competition that is entering his area.*

Offering a sharp contrast to Bob's homespun ambience, a slick, regional mall came to the market three years ago in Kelso, just across a river from Bob's. Last year, a Target joined Sears, JCPenney and Emporium and Bon Marche department stores.

After the mall came to town, sales at Bob's slumped, and Schlecht was forced to become a sharper operator to not only survive but also thrive.

"Target had a real effect on us," Schlecht said, "but the pendulum has swung back. We changed an awful lot."

Guiding those changes was the knowledge Schlecht gained in earning a business degree from Washington State and a second degree in economics from the University of Maryland. Although Schlecht worked summers in Bob's stockroom, he went to work following college at Bon Marche, where he rose to divisional sales manager for women's sportswear after four years.

The biggest change was switching to an everyday low price policy from promotional, Schlecht said.

"Customers don't have to wait for a sale," Schlecht said, "and we're making as good margins as before. We're doing well because we sell for less."

From a customer relations standpoint, EDLP eliminated the unhappy customer wh complained she bought some thing last week for $20 only t see it go on sale this week fo $15, he said.

The switch allowed Bob's t slash advertising outlays t 1.6% of sales from 3%, savin $150,000 a year, Schlecht said Bob's also saved the labor cost of marking goods up and down Bob's reduced markdowns t 10% of sales from 30%.

Eliminating continual pric changes helped reduce shrink age to an enviable 1% of sale from 3%.

Bob's protects almost all ap parel with anti-shopping har tags from Sensormatic, h said. Soft goods account fo 55% of sales, and hard lin represent 45%.

Scanning registers are con ing in a year or two, he said.

"We also became bette shoppers and are getting bette

(Continued on page 87)

Phar-Mor Plans Expansion Into N.Y.

PITTSBURGH — Phar-Mor, the fast-growing deep discount drug store chain, will cap off 1992 with 60 new stores in two new states—Utah and New York—and several new markets including metro New York and Dallas.

Phar-Mor has confirmed that it will make its entry into the New York metropolitan market with a 67,000-sq.-ft. store in the South Hills Mall in Poughkeepsie, N.Y., about 90 minutes north of New York. The mall, realigned as a discount center, will soon be home to a new Service Merchandise catalog showroom and an enlarged Kmart. New tenants already include OfficeMax and Burlington Coat Factory.

The store is not expected to open until next year, said Carol Robinson, Phar-Mor's vice president, advertising.

Complete expansion plans for metropolitan New York have not been disclosed. However, Robinson said Phar-Mor is "actively looking at locations throughout the entire state of New York."

So far, Phar-Mor has signed a lease for a store in Henrietta, N.Y., in the Rochester market, slated to open in the fourth quarter.

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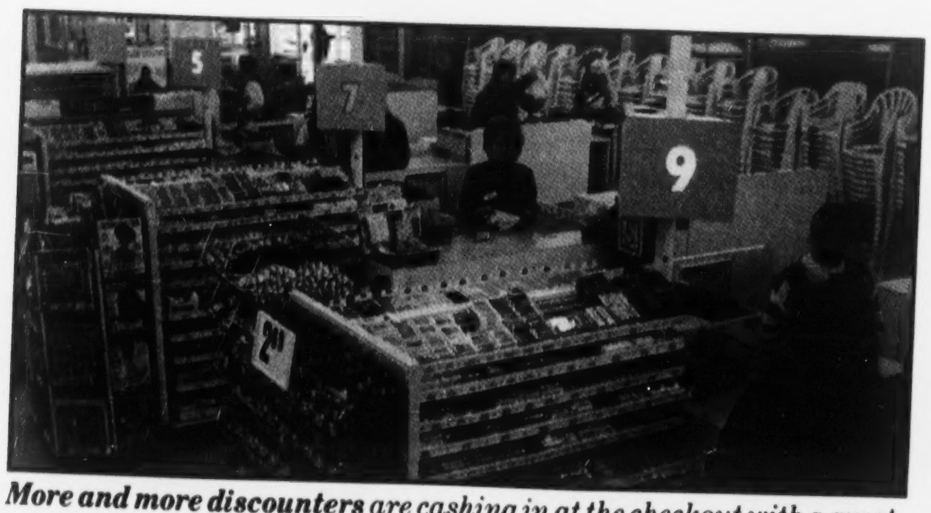

More and more discounters *are cashing in at the checkout with a greater assortment of impulse items. More on page 65.*

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